

	STATE OF ALASKA DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES		POLICY AND PROCEDURE NUMBER 10.03.021	PAGE 1 of 6
	Policy and Procedure		EFFECTIVE DATE February 28, 2001	
SUBJECT Annual Warehouse Physical Inventory		SUPERSEDES FMOM 12.05.020	DATED 5/16/94	
TITLE Procurement and Property	CHAPTER Controlled Property, Inventory & Fixed Assets	APPROVED BY <p style="text-align: center;">Signature on File</p>		

POLICY

It is the policy of the Department to establish procedures to determine appropriate stock levels and the management of supplies.

PURPOSE

To establish uniform procedures to ensure timely and accurate completion of Annual Physical Inventories at all Department of Transportation and Public Facilities (DOT&PF) procurement (supply) warehouses. *(Note: This procedure does not cover inventory procedures for the State Equipment Fleet [SEF]. Those procedures are covered in the SEF procedure manual.)*

PROCEDURE

A. Inventory Timing

1. A physical warehouse inventory is to be taken each fiscal year on a date jointly established by Statewide Contracting & Procurement, Finance, and the Regional Procurement offices.
2. All regional warehouses will conduct the inventory at approximately the same time, using the procedures and steps outlined herein.
3. Warehouses will be closed for business during inventory, except for bona fide emergencies.

B. Assignment of Responsibilities

1. *Statewide Contracting & Procurement*. Coordinate Inventory Schedule (dates and times) with Regional Procurement Offices and Finance.
2. *Regional Procurement Offices*:
 - a. Ensure sufficient staff will be available to conduct the inventory in a quick and efficient manner (Note: Overtime authorization requires approval in advance).

- b. *Prior to the scheduled inventory date*, train inventory personnel on the location of inventory items and the criteria to be used to each item count (unit, package, case, etc.).
- c. On the morning the inventory is to begin, print out an Item List Report* and Physical Count Sheets (*without on-hand balances*).
 - (1) The Item List Report* and the Physical Count Sheets shall be sorted by Warehouse, Item Location, then Item Number.
 - (2) Three copies of the Item List Reports* shall be printed.
 - (a) One copy shall be sent to Statewide Contracting & Procurement.
 - (b) One copy shall be sent to each Finance office.
 - (c) One copy shall be retained by the region for later analysis. This will become the basis for the value of the “Before Inventory” record.
- d. Stock Requests (Requisitions) received just prior to the inventory should be set aside and held until after the inventory has been completed.
- e. Any items which have been physically received but have not been entered in the system due to lack of invoice, must be set aside and should be treated as an “after inventory” transaction.
- f. Coordination with Finance Offices. The value of the physical inventory will be used as a basis to adjust AKSAS. Therefore, it will be necessary for the Procurement Offices to coordinate their efforts with the Finance Offices.
- g. Storekeepers:
 - (1) Prior to beginning the inventory, all merchandise should be inspected for proper identification.
 - (a) All bins, rows, boxes, etc., should be clearly labeled so that anyone unfamiliar with the area can assist with the physical count.
 - (b) Any items that should not be counted as part of inventory should be moved to a separate location, and labeled so they are not counted.
 - (2) Prior to printing the “Before Inventory” Item List Report*, ensure all stock receipts have been input into the warehouse inventory system, and all stock issues have also been recorded in the system.
 - (a) Beginning two weeks prior to the inventory, mark all issue documents and invoices entered into the system “BEFORE INVENTORY.”
 - (i) A stamp may be made for this purpose.
 - (ii) Continue to use this stamp on invoices received after the inventory for items which were counted as part of the inventory.

- (b) Coordinate with Local Finance Offices to maintain a list of all “Before Inventory” invoices received after the inventory. Send the list to the Local Finance Office to assist with tracking these invoices through AKSAS.

3. *Local Finance Offices:*

- a. Prior to the inventory, Finance personnel shall coordinate with the Regional Procurement Office to obtain the dollar value of the following items:
 - (1) Any vendor invoices which are in their possession which have not been entered into AKSAS.
 - (2) Any vendor invoices which have been entered in AKSAS which have not yet been certified or which have errors.
 - (3) Any Issues which have not been entered into AKSAS.
 - (4) Any Issues which have not been certified or which have errors.
- b. List items in the above four categories on a log by invoice number, issue document number, or AKSAS document number with the dollar value of the amount and the responsible warehouse. FAX these logs to HQ Finance on the morning of the inventory.
- c. Print AKSAS asset values by Regional Inventory Asset CC on the morning the physical inventory process begins.

NOTE:

The preceding steps are critical in obtaining an accurate value of the inventory asset accounts at the time the physical inventory is begun; therefore, it will be necessary for the Local Finance Offices to coordinate their efforts with the Regional Procurement Offices and Storekeepers.

- d. Determine if a variance exists between the regional warehouse balances and the AKSAS inventory asset values by making the following calculation: $AKSAS - Its + R - Count$.

I.E., AKSAS beginning inventory amount, *less* issues (Issue Tickets or “Its”) made by the warehouse prior inventory but not yet recorded in AKSAS, *plus* items received in the warehouse prior to inventory but not yet recorded in AKSAS, *less* the amount of physical inventory verified by the count.
- e. Allocate the variance to the sections based on year to date inventory usage:
 - (1) Run a Geneva report showing year to date inventory usage by AR and CC;
 - (2) Download the report into EXCEL and sort and total by AR.
 - (3) Generate a Variance Distribution spreadsheet to provide backup for the adjusting journal entry (which spreads the variance among sections).

NOTE:

This adjustment must be made prior to the end of the re-appropriation period. A copy of the inventory reconciliation, attachments, and AJ are sent to the Inventory coordinator.

C. Conducting the Inventory

1. The actual physical count should be made by teams of two individuals each.
 - a. One individual will handle and count the material.
 - b. The second individual will record the item number and physical count on Physical Count Sheets.
 - c. Teams should be assigned specific rows, bins, and shelves to count.
2. The count shall be taken from the shelf to the Physical Count Sheets.
 - a. Invalid item locations shall be corrected on the Physical Count Sheets at the same time the count is recorded.
 - b. Items “found” on the shelves during the inventory that are not listed on the Physical Count Sheets are to be added to a blank Physical Count Sheet and shown as a discrepancy.

NOTE:

Any item with a stock inventory number should be added to the system inventory through the adjustment process when all other discrepancies are adjusted after the physical count has been completed.

- c. Once a row has been counted and audited, the bin and row shall be flagged as completed.
 - d. Team members shall record their initials on each inventory page as they are completed.
3. Auditing the Count.
 - a. The Regional Procurement Officer will audit the count sheets, by comparing the Physical Count Sheets to the “Before Inventory” Site Stock Item List. The Regional Procurement Officer shall initial the Physical Count Sheets when auditing action has been completed.
 - (1) Any discrepancies shall be recounted until at least two out of three counts agree. If, in the opinion of the Regional Procurement Officer, a particular team has made too many errors, their assigned bins and rows will be recounted by another team.

- (2) Verified discrepancies shall be highlighted in an obvious way, and system adjustments shall be made as discussed in Section D.
- (3) Once the discrepancies are verified, begin the adjustment process to adjust the system (computer) quantity to match the physical quantity.

D. Adjustments:

1. Adjustments to the system (computer) quantity are to be made based on the actual physical count. For quantities greater than zero:
 - a. Increase or decrease (as required) only the quantity on hand.
 - b. Do not adjust the unit price. Allow the system to use the existing unit price as the basis to value the adjusted quantity.
2. Once all adjustments have been input to the system, print out another Item List Report*. Distribute copies of this report as follows:
 - a. Send one copy to Statewide Contracting & Procurement.
 - b. Send one copy to the Local Finance Office.
 - c. Retain one copy to conduct the variance analysis between the Inventory System and AKSAS. This will become the basis for the "After Inventory" value.
3. The warehouse can be reopened for business after all adjustments have been recorded and the "After Inventory" Item List Report* has been produced.

E. After Completion of the Physical Count:

1. Regional Procurement Offices must account for all individual item dollar discrepancies (both positive and negative) of greater than five percent (5%).
 - a. This is to be accomplished by comparing the "Before Inventory" Item List Report* to the "After Inventory" Item List Report*.
 - b. A "Justification Report" shall be prepared as a result of this comparison. The "Justification Report" shall list the discrepant item number, the dollar value of the discrepancy, either positive or negative, and an explanation of the apparent reason for the discrepancy.
 - c. The "Justification Report" shall be sent to Statewide Contracting and Procurement and to the Director, Administrative Services.
 - (1) "Justification Reports" and associated discrepancy analyses shall be completed no later than ten (10) days after the completion of the physical inventory count.
 - (2) The "Justification Report" shall become part of the permanent inventory record.

2. All inventory documents (DOs, Issue documents, and vendor invoices for items ordered after the inventory date) shall be stamped "After Inventory" until all outstanding items are accounted for by the Finance Offices.
3. After the inventory and the justification of discrepancies have been completed, storekeepers shall identify all items that fall into the Obsolete, Damaged, Beyond Shelf life, and No Turns categories. These items shall be "issued" per DPDR 10.03.022 - Disposition of Inventory Items.
 - a. Distribution issue documents shall be recorded to the budgets for the fiscal year in which they are created, i.e.:
 - (1) a distribution Issue document created on or before June 30, 2001 will be recorded in FY01.
 - (2) a distribution Issue document created on or after July 1, 2001 will be recorded to FY 02.
 - b. The dollar amounts will then be distributed to appropriation budgets.

AUTHORITY

Alaska Statutes 36.30.040; 2 AAC 12.580

IMPLEMENTATION RESPONSIBILITY

Department Supply Chief, Director of Administrative Services, Regional Directors, Regional Procurement Staff, Statewide Finance Staff

DISTRIBUTION

All holders of the Department Policy and Procedures Manual. All personnel responsible for the completion of Annual Warehouse Physical Inventories.